

Transforming Britain's labour market

Ten years of the New Deal



new deal 

Foreword by the Prime Minister

This week marks ten years of the New Deal, a time for celebration of what has been achieved but also a time for looking ahead to the next 10 years of labour market reform.

The New Deal was both a statement of our values and a key part of our economic strategy. Introduced after two decades in which child poverty more than doubled; the number of people on Incapacity Benefit had risen by one and a half million; and more than 80,000 young people had been on unemployment benefit for more than a year. It said that we valued every person in our society and that our economy in turn needed them to be active if we were all to be successful.

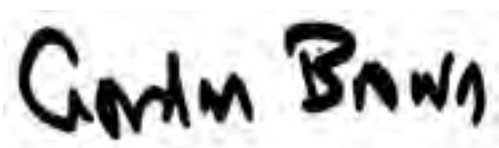
Bringing in the New Deal was hard work. Many opposed it then - and still oppose it - believing that the answer to people being out of work is to neglect them. The rights and responsibilities agenda that the New Deal brought in was challenging to many while the changes in the way our systems worked meant upheaval for many staff.

But it was all worth it. Over its 10 years, more than 1.8 million people have been helped into jobs by the New Deals. An extra 300,000 lone parents in work has helped us lift 600,000 children out of poverty, the numbers on Incapacity Benefit are falling, while long-term claimant unemployment for young people has been virtually eliminated.

Now as we look ahead we need a reformed New Deal to help us face the challenges of the next decades. In the old days the problem may have been unemployment, but in the next decades it will be employability. If in the old days lack of jobs demanded priority action, in the new world it is lack of skills. And that means that our whole approach to welfare must move on.

In future the best welfare will no longer be the benefits you have today but the skills you gain for tomorrow. Rights and responsibilities will remain the cornerstone of our philosophy. But we reject the failed approach of simply cutting benefits and hoping for the best, and instead draw on the best practice from what has worked in Britain and overseas. We will combine tough sanctions for those who refuse to work or train with better and more targeted support for those most in need to give them the skills and advice they need to get back onto the jobs ladder. And for those on incapacity benefits, we will focus on capability and what people can do, not on disability and what they cannot do.

At the end of January a major conference will bring together government, employers and our private and voluntary sector partners to set out the next steps in this agenda. The work we are doing with employers through Local Employment Partnerships; the introduction of the flexible New Deal to create a welfare system more personalised to specific needs and capabilities of individuals; and the use of the private and voluntary sector to deliver help to those who need more help, will see the next decade of welfare policy and the New Deal help deliver lower unemployment and inactivity and better economic prospects, not just for some, but for all.

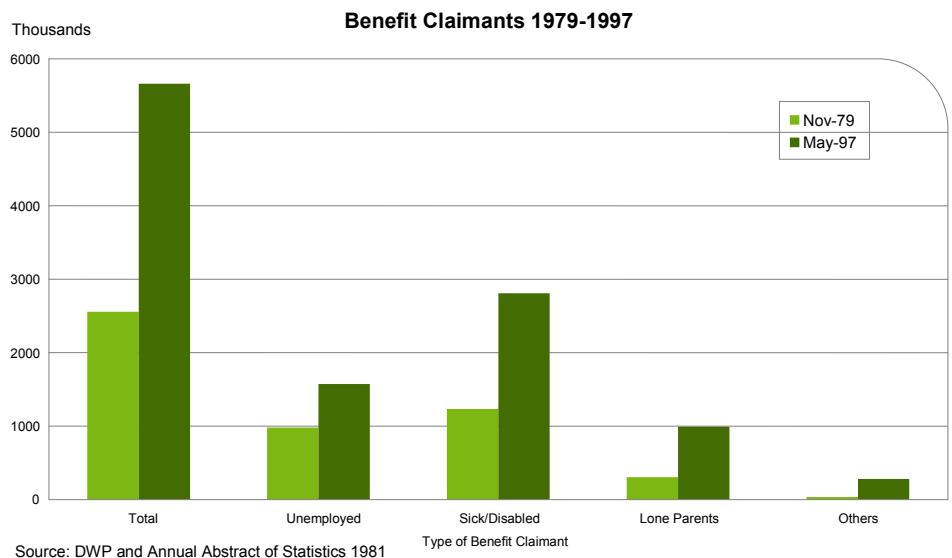


Rt. Hon. Gordon Brown
Prime Minister

In January 1998 the Government launched the first of 12 pilots of a new approach to welfare - the New Deal. Ten years on, this paper sets out why the New Deal was necessary; how it works; how it has transformed the UK's labour market; and the next steps in the Government's ongoing crusade to ensure employment opportunity and fairness for all.

The labour market in 1997

In the 1980s and 1990s, Britain was blighted by mass unemployment. Twice unemployment exceeded three million. And when unemployment did come down, at the same time the numbers on inactive benefits - people dependent on the state, but totally excluded from the labour market - continued their inexorable rise. Between 1979 and 1997 the number of people on Incapacity Benefit (and its predecessor Invalidity Benefit) more than doubled, while the number of lone parents on Income Support rose by nearly 700,000.



Note (1): The figures for 'Sick/Disabled' include all claimants, not just those of working age, to enable comparisons to be made between 1997 and 1979.

In 1997 there were about 5.5 million unemployed or inactive people on benefits. Even after 4 years of falling unemployment, more than half a million people had been on Jobseeker's Allowance (JSA) for more than a year. Long-term youth unemployment was a particular problem, with 85,000 young people languishing on benefit for more than a year - with no job and no future in prospect.

Not surprisingly, the result of this and other factors - macroeconomic instability, and regressive tax and benefit that penalised the poorest at the same time as failing to ensure that work paid - meant soaring poverty. Child poverty more than doubled between 1979 and 1997.

The New Deals

Radical change was needed and at the heart of the new approach were the New Deals. The first priority was to tackle the scourge of long-term youth unemployment. So they began with the New Deal for Young People - financed by an innovative windfall tax on the excess profits of privatised utilities. But over time the New Deals have been rolled out to cover all those on key out-of work benefits.

Key Milestones

January 1998

New Deal for Young People Pathfinders

April 1998

New Deal for Young People National Rollout

July 1998

New Deal 25 plus introduced

October 1998

New Deal for Lone Parents introduced

April 1999

New Deal for Partners introduced

April 2000

New Deal 50 plus introduced

April 2001

New Deal 25 plus enhanced

July 2001

New Deal for Disabled People introduced

October 2001

First Jobcentre Plus opened

October 2003

Pathways to Work Phase 1 Pilots

December 2007

Jobcentre Plus National Rollout virtually complete

- The New Deal for Young People (NDYP) was introduced in January 1998 to end long-term youth unemployment. It provides support for all people aged 18-24 who have been claiming Jobseeker's Allowance (or National Insurance credits) for 6 months or more. Crucially, there was no longer any option of simply remaining on unemployment benefits indefinitely - NDYP ensured for the first time that every young person claiming JSA over a long period had to participate in meaningful activity designed to improve their chances of getting a job.
- Building on the successful elements of NDYP, New Deal 25 plus (ND25+) was introduced in July 1998 for people claiming Jobseeker's Allowance for 2 years or more and enhanced from April 2001, to provide assistance on a similar basis to people aged 25 plus who had been unemployed for 18 out of the last 21 months. People aged 50 plus in this category were only mandated to the Gateway stage of the programme.
- Since 1 June 2007 anyone aged 25-59 claiming Jobseeker's Allowance (or National Insurance credits) for 18 out of the last 21 months has been mandated to all aspects of New Deal 25 plus.
- In October 1998, New Deal for Lone Parents (NDLP) was introduced. NDLP provides personalised support for lone parents who want to return to work. This can include help ranging from informal support and advice to financial and practical assistance with training and childcare.
- In April 1999, New Deal for Partners was introduced to offer the partners of people claiming certain benefits support in tackling barriers to work. Partners are eligible to join New Deal for Partners from 'day one'.
- New Deal 50 plus was introduced in April 2000. It is designed to help long-term unemployed and economically inactive people over 50, who have been claiming specified benefits for six months or more, back into employment.
- In July 2001, the New Deal for Disabled People (NDDP) was introduced. Largely provided by the voluntary and private sector, NDDP gives access to job-brokering advice and support to Incapacity Benefit claimants and other disabled people looking to re-enter the labour market.
- And further extending the New Deal approach, in October 2003 the innovative Pathways to Work programme was introduced in pilot areas for new Incapacity Benefit claimants. Focusing on what claimants can do, not what they cannot, Pathways gives access to training, condition management, a return-to-work credit and personal adviser support as well as NDDP.

How do the New Deals work?

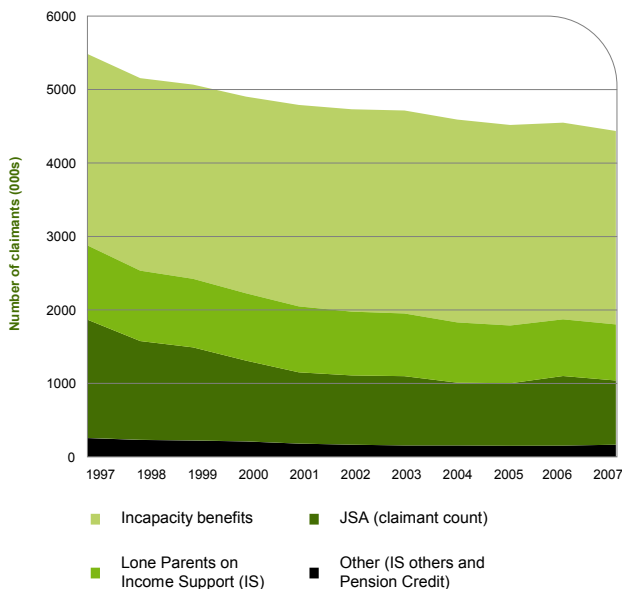
As the description above shows, there is not just one New Deal, but several. Everyone who claims an out-of-work benefit through Jobcentre Plus is potentially eligible for one of the New Deals. But despite their differences, they all share some of the same features:

- **The central role of the personal adviser.** Every participant in the New Deals can call on the services of a personal adviser. A personal adviser can help the claimant to look for a job or overcome their own personal barriers to finding a job.
- **An emphasis on the needs of the individual.** Every individual is different. The New Deals allow those out of work to take a new look at their own personal situation, and to take the skills and experience that they may have already and build on them to create better opportunities for work.
- **Partnership between the public, private and voluntary sectors.** From the beginning, the New Deals have been delivered in close partnership with the private and voluntary sectors. The private and voluntary sector directly provides most of the support available through the New Deal for Disabled People and a substantial proportion of that available through the other New Deals; and DWP and Jobcentre Plus work with a network of around 600 providers, with contracts worth around £1 billion a year. Our partners range from some of Britain's largest employment agencies to specialist voluntary sector providers working with people with specific types of disability.
- **Rights and responsibilities.** Personal advisers help to motivate and raise the expectations of the individual. But in return for the help and support provided through the New Deals, and the financial support provided through the benefit system, society has a legitimate expectation that participants will make their own best efforts to get and keep a job. The rights and responsibilities attached to different benefits and different New Deals vary, from the mandatory New Deals (NDYP and ND25+), where participants are required to participate in mandatory activity, through to the four voluntary New Deals where support is offered to help people back to work or make them more prepared for employment. However, the basic philosophy of "something for something" runs through all the New Deals; on page 8 we set out how we intend to expand rights and responsibilities for all claimants.
- **The role of Jobcentre Plus.** Jobcentre Plus led the world in integrating benefits and employment services, ensuring customers receive their rights and meet their responsibilities. Jobcentre Plus takes overall ownership of the individual's experience of the welfare to work system and the New Deals, helping customers to navigate the system.
- **Working with employers.** A key feature of the New Deals has always been to work closely with employers. Helping our customers get the jobs they want at the same time as helping employers get the workers they need.

What have the New Deals achieved?

The New Deals have been the most successful innovation in the history of the UK labour market. In the last decade, the New Deals have helped more than 1.85 million people into work. Overall, employment is at record levels and the total number of people on key out-of-work benefits has fallen by a million since 1997.

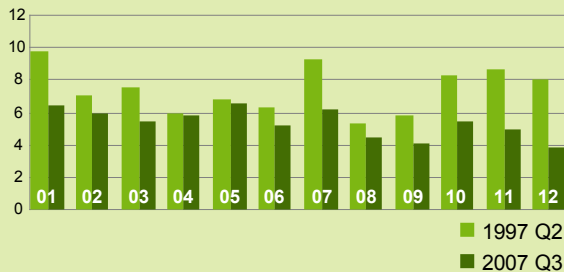
Number of individuals on main out-of-work benefits 1997-2007



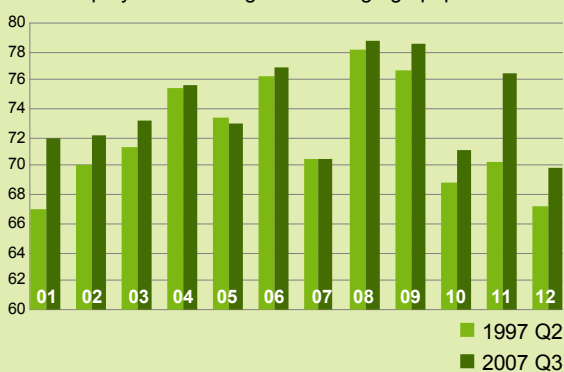
Every group and region of the country has benefited:

- The number of people claiming Jobseeker's Allowance is at its lowest for over 30 years. The number of long-term claimants unemployed has fallen from more than half a million to 125,500; while for young people it has fallen from 85,000 to fewer than 7,000.
- The lone parent employment rate has gone up by 12.5 percentage points since 1997, while the number of lone parents on Income Support has fallen by nearly a quarter of a million. NDLP has helped more than half a million lone parents into work. This in turn has contributed to a reduction of more than half a million in the numbers of children in poverty.
- Thanks to the success of NDDP, which has helped more than 150,000 people into work, and of Pathways to Work, which has increased the numbers moving off benefit by 8 percentage points, the apparently inexorable rise in the number on incapacity benefits has been stopped and is being reversed - for the first time in a generation. The number of people making new claims for Incapacity Benefit (IB) has been reduced by more than a third while the total number on benefit is at its lowest for eight years. Meanwhile the employment rate for disabled people has risen significantly, by around 9 percentage points between Spring 1998 and Q2 2007.
- Unemployment has fallen in every region of the country; and record numbers of people are in work - over 2.8 million more people in employment now than in 1997.

Unemployment by Region 1997-2007



Employment rates 1997-2007
Employment as %age of working age population



01 North East	07 London
02 North West	08 South East
03 Yorks & Humber	09 South West
04 East Midlands	10 Wales
05 West Midlands	11 Scotland
06 East of England	12 Northern Ireland

The design and implementation of the New Deals was based on careful and thorough analysis of international best practice of welfare to work policies. It incorporated lessons from the US, and from successful labour markets in Europe, especially Scandinavia.

And the evidence is that New Deal has worked. Independent research confirms the success of the New Deals and the contribution they have made to helping people from benefit into work. Numerous research studies and independent evaluations have found that NDYP, NDLP and NDDP led to substantial increases in the probability of getting a job for those who participated in the programmes, with those increases sustained for months and years after participating.

- Research by the Institute of Fiscal Studies found NDYP increased the probability of finding a job by 20%¹.
- Research by the National Institute of Economic and Social Research found that NDYP benefited the economy by £500 million a year².
- Research by the Centre for Research in Social Policy estimated that the net benefits to society as a whole were equivalent to about £4 or £5 for each pound the Government spent on continuing claimants on NDDP³.
- Respected international organisations such as the International Monetary Fund have praised the UK for its “innovative efforts to use active labour market policies to help benefit recipients move into work,” while both the IMF and the Organisation for Economic Co-operation and Development have described Pathways to Work as successful⁴.

“Without New Deal I wouldn’t be where I am today.”

Tina Gamble was the first person to join New Deal for Lone Parents at Chester-le-Street Jobcentre, in County Durham. She had been at home with her children for around five years when a friend gave her a leaflet about New Deal. She went along to the Jobcentre, where she explained to her personal adviser that her dream was to have her own florist shop.

This was the start of a long journey that involved a year of intensive training funded via New Deal, and a number of years working in florists. Finally a property became available and with the help of friends, family and a local bank she’s living her dream, with a flourishing business that has an excellent reputation.

New Deal and her Jobcentre Plus adviser’s support helped Tina get back to work and build a rewarding career; as she points out “Without New Deal I wouldn’t be where I am today.”

¹ http://www.ifs.org.uk/publications.php?publication_id=1734

² http://www.niesr.ac.uk/pdf/140306_123853.pdf

³ <http://www.dwp.gov.uk/asd/asd5/rports2007-2008/rrep431.pdf>

⁴ http://www.hm-treasury.gov.uk/documents/uk_economy/imf_reports/ukecon_imf_articleIV2004.cfm

The next steps

Despite the fact that so many people have been helped into work through the New Deals there is more to be done. Over the last decade, the labour market has changed beyond recognition; the New Deals are now 10 years old and inevitably they too must evolve to ensure we are ready for the challenges of the next decade.

Above all, we need a system that is active, not passive; empowering, not stifling; that focuses on capabilities, not disability. A system that would provide all those without work - not just those claiming Jobseeker's Allowance, but also those on inactive benefits - who need help in entering or re-entering the labour market with individual, personalised support. A system that balances rights with responsibilities - the right for those who need it to financial support and help into work, combined with the responsibility to take up the help and support on offer, with no option of a lifetime on benefits for those capable of work.

What does this mean for the future of the New Deals? Against a background of increased global competition, we can achieve more growth and more jobs. Helping people move into work is the key challenge. But it is only the beginning. To enable the British economy to thrive, and for individuals to realise their aspirations in the face of new challenges and opportunities, we must unlock the skills and talents of every individual.

Skills are becoming increasingly important for growth, employment and prosperity. As the UK economy adapts to increasing global competition, individuals will need to be able to adapt too - learning new skills and being able to move between firms and sectors. And those without skills that employers find valuable will find themselves increasingly disadvantaged in the labour market.

As the Prime Minister said in his speech to the CBI on 26 November 2007, the problem is no longer unemployment or the lack of jobs:

**“If in the old days the problem was unemployment,
in the new world it is employability.**

**If in the old days lack of jobs demanded priority action,
in the new world it is lack of skills.”**

In the future, we need a welfare state that provides a ladder of opportunity to ensure all can learn, earn and fulfil their potential. We need to create a seamless journey from benefits into work, and then on into in-work training and career progression.

Our strategy for modernisation is based on five core principles:

- Building on the success of the existing mandatory New Deals, a **stronger framework of rights and responsibilities to move benefit claimants from being passive recipients to being active jobseekers**, so that people who can work, now or in the future, have the support they need to find a job and gain relevant skills. Details of our plans to strengthen this framework were set out in our recent paper “Ready for Work: full employment in our generation”⁵.
- **A personalised and responsive approach.** We will reform the New Deals and other support available - a flexible New Deal - so that they better respond to individual need. We will **empower advisers and give increased discretion both to Jobcentre Plus staff** and to public, private and third sector providers. Through Local Employment Partnerships we will increasingly tailor employment and skills support to better meet the needs of employers and individuals. And for those on Incapacity Benefit we will continue to extend the successful approach of Pathways to Work - moving away from a focus on what people cannot do, and instead concentrate on what they can - on their capabilities and the opportunity for new skills.
- **Partnership – the public, private and third sectors working together.** Our future commissioning strategy will maximise the innovation in all sectors, leading to more and better outcomes. Building on the approach set out by David Freud’s report “Reducing Dependency, Increasing Opportunity: Options for the future of welfare to work”, our priority will be to contract on the basis of **what works best** to support people into work. We will also develop a shared commitment to the local needs of individuals and employers through Local Strategic Partnerships.

Local Employment Partnerships are an innovative new way for Jobcentre Plus to work with employers to get the most disadvantaged clients into work.

We need to do more to help people - especially long-term benefit recipients - prepare for and look for work. And we need to ensure that as many as possible of the job opportunities that are coming up all the time - on any given day there are more than 600,000 vacancies across the UK - are open to people in these groups.

So we are asking employers who sign up to commit to giving a fair chance to applicants from the most disadvantaged groups; and in return we have pledged to do more to ensure that those individuals get the preparation and training that allows them to meet employers’ needs, by expanding pre-employment training, apprenticeships, Train to Gain, and accreditation of employers’ in-house training.

By mid-December around 300 employers had made commitments to work in partnership with Jobcentre Plus to help more jobless people into work.

⁵ <http://www.dwp.gov.uk/welfarereform/readyforwork/>

- **Devolving and empowering communities.** In the future, sustainable employment will be at the heart of neighbourhood renewal - finding local solutions to local challenges. We will put employment at the heart of area-based regeneration and will provide £1.5billion to our most deprived areas over the next three years.
- **Not just jobs, but jobs that pay and offer opportunities for progression.** We will ensure all our customers who need help to develop their skills have access to relevant pre-employment and in-work training. Key elements in a more integrated employment and skills system will include the plans announced recently for early screening to identify and address benefit claimants' skills needs, new legal rights to basic and intermediate skills and qualifications, and new funding for the creation of a new adult advancement and careers service. And we will pilot mandatory basic skills and job-focused training courses for long-term JSA claimants. We will also continue to make work pay by piloting and then, if successful, rolling out a **new better off in work credit** to ensure all long-term claimants see a significant rise in their incomes when they take a job. Details of these plans were set out in the joint DIUS/DWP paper "Opportunity, Employment and Progression: making skills work".

And underlying all of these principles is our goal of eradicating child poverty. We know that meeting our target of halving child poverty by 2010 - and eradicating it by 2020 - will not be easy. We have done much to help lift families out of poverty, but we know that we need to do more. As Lisa Harker's report "Delivering on Child Poverty: What would it take?" set out, by helping parents into work, and ensuring that working families are able to lift themselves out of poverty, we can make a major contribution to this goal.

We have recently published papers setting out the way forward in many of these areas. A summary of the actions we will take, and the changes we will make, is set out in the Annex (page 11).

Conclusion

Over the last decade, the New Deals have changed the face of Britain's labour market for the better. There is much to be proud of. But to meet the challenges of the next decade we cannot become complacent or stick to old solutions. We can build on the successes of the New Deals to ensure we move towards full employment, and opportunity for all, in the Britain of the next decade.

Ready for work: full employment in our generation

'Ready for work: full employment in our generation' sets out the steps the Government will take to reach the long term goals of an 80% employment rate and world class skills.

Annex B: Milestones

Key:

aacs	adult advancement and careers service
BERR	Department for Business, Enterprise and Regulatory Reform
CLG	Communities and Local Government
DCSF	Department for Children, Schools and Families
DH	Department of Health
DIUS	Department for Innovation, Universities and Skills
DWP	Department for Work and Pensions
JCP	Jobcentre Plus
LSC	Learning and Skills Council

Action	Owner	Timing
Parents		
Consultation on whether the Skills Health Check should be mandatory for lone parents	JCP, DWP, DIUS	Early 2008
Review of how to extend the right to request flexible working to parents of older children	BERR	Spring 2008
Introduce group seminars for lone parents nationally	JCP, DWP	April 2008
Jobcentre Plus will aim, where possible, to guarantee lone parents who are willing and able to work a job interview with an employer	JCP, DWP	April 2008
Support and guidance from a personal adviser available for all lone parents who have moved into work	JCP, DWP	April 2008
National rollout of the In Work Emergency Discretion Fund	JCP, DWP	April 2008
Pilot of the provision of upfront childcare costs in London	JCP, DWP	April 2008
Extend In Work Credit to all lone parents	JCP, DWP	April 2008
Pilot of In Work Credit and retention package for lone parents	JCP, DWP	April 2008
Legal duty on local authorities in England and Wales to secure sufficient childcare to meet the needs of their local communities, in particular those on low incomes and with disabled children, takes effect	DCSF, local authorities	April 2008

Action	Owner	Timing
New Deal for Partners strengthened by increasing number of Work Focused Interviews	JCP, DWP	April 2008
Introduce quarterly Work Focused Interviews for lone parents in the last year before their child reaches the age where they are no longer entitled to Income Support	JCP, DWP	From October 2008
Lone parents with a youngest child aged 12 or over will no longer be entitled to Income Support solely on the grounds of being a lone parent	JCP, DWP	October 2008
Extend Work Trials for up to six weeks for those taking part in the New Deal for Lone Parents	JCP, DWP	Late 2008
Child maintenance disregard in main income-related benefits to rise to £20 per week	DWP	By end 2008
Lone parents with a youngest child aged 10 or over will no longer be entitled to Income Support solely on the grounds of being a lone parent	JCP, DWP	October 2009
Skills screen for all new lone parent Income Support claimants as part of Work Focused Interview, and encourage attendance at full Skills Heath Check	JCP, DWP, DIUS, aacs	2009-11
Child maintenance disregard in main income-related benefits to rise to £40 per week	DWP	From April 2010
Lone parents with a youngest child aged seven or over will no longer be entitled to Income Support solely on the grounds of being a lone parent	JCP, DWP	October 2010
Every school in England to be an extended school	DCSF	2010
Jobseekers		
Back to Work Seminar pilots	JCP, DWP	Early 2008
Flexible New Deal procurement activity begins	DWP	Spring 2008
Pilot a better off in work credit	JCP, DWP	October 2008
Contracts awarded and contract start-up activity	DWP and contractors	Early spring 2009
Changes by Jobcentre Plus to implement new Jobseeker's Allowance regime	JCP	April 2009
First customers referred to contracted flexible New Deal	JCP, DWP, contractors	October 2009
Potential extension of a better off in work credit	JCP, DWP	2009

Action	Owner	Timing
Skills screen for all new Jobseeker's Allowance customers	JCP, DWP	2009-10
In trial areas, pilot mandatory Skills Health Checks for long-term Jobseeker's Allowance customers	JCP, DWP, DIUS, aacs	2009-10
Training allowances for long-term Jobseeker's Allowance customers to attend intensive employability focused training of up to eight weeks	JCP, DWP	2009-10
Pilot mandatory basic skills and job-focused training courses for Jobseeker's Allowance customers who have been on benefit for six months	JCP, DWP, DIUS, LSC	2009-10
Disabled people and people with health conditions		
Publication of the review of the health of Britain's working age population led by the National Director for Health and Work, Dame Carol Black	DWP, DH	Early 2008
Pathways to Work available across Britain to anyone on incapacity benefits	JCP, DWP	April 2008
Return to Work Credit of £40 per week tax free for a year available to everyone eligible who moves into work	JCP, DWP	April 2008
Introduction of the Employment and Support Allowance	JCP, DWP	October 2008
Introduction of mandatory Pathways to Work interviews and the new Work Capability Assessment for existing Incapacity Benefit customers who are under 25	JCP, DWP	2009
Remove Housing Benefit learning restrictions for short-term Incapacity Benefit customers to allow them to study full time	JCP, DWP	2009
Skills screen for Employment and Support Allowance customers soon after the start of claim and, where appropriate, a mandatory Skills Health Check at a later point in claim	JCP, DWP	2009-11
Young people not in work, education or training		
Extend early entry to the New Deal for 18 year olds with a previous history of not being in work, education or training on a voluntary basis	JCP, DWP, DCSF	April 2008
Extend a mandatory early entry to the flexible New Deal for 18 year olds who have not been in work, education or training for six months	JCP, DWP, DCSF	April 2009

Action	Owner	Timing
Commissioning and Local Employment Partnerships		
Publish DWP commissioning strategy	JCP, DWP	February 2008
Pilots to test enhancing links between housing organisations and Jobcentre Plus services	DWP, JCP, CLG	2008
The new Working Neighbourhoods Fund, jointly sponsored by DWP and CLG, will help to focus support and encourage enterprise in areas with high unemployment	DWP, CLG	2008-11
Local Employment Partnerships to help 250,000 people into work	DWP, LEP partners	End of 2010
Benefit reform		
Publish further details of our approach to benefit reform	DWP	2008
Older workers		
Review of default retirement age	DWP, BERR	2011
Integrating Employment and Skills		
UK Commission for Employment and Skills operational	DIUS, DWP, working with Devolved Administrations	April 2008
Trial aspects of an integrated employment and skills service, including: new screening process for literacy, numeracy, language and employability skills; new adult advancement and careers service; Skills Health Check; and Skills Accounts for benefit customers	JCP, DWP, LSC, DIUS	2008-09
Suite of robust operational targets for JCP and LSC, to underpin the shared DWP/DIUS objective of delivering sustainable employment and progression	JCP, DWP, LSC, DIUS	2009
New adult advancement and careers service fully operational	DIUS, DWP	2010-11
Integrated employment and skills system fully operational	JCP, DWP, LSC, DIUS	2010-11

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